

SUBCOMMITTEE NO. 4

Agenda

Joseph Dunn, Chair
Dick Ackerman
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Hearing Outcomes

Wednesday, April 14, 2004
1:30 p.m.
Room 2040

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Proposed Consent Calendar

2640 Special Transportation Programs

The Special Transportation Programs (STP) budget reflects mass transit program funding that is appropriated to the State Controller for allocation to regional transportation planning agencies. The State Controller and the Department of Transportation perform administration of the STP. The STP is one of the state's primary sources of financial support for public transportation. The program will provide about \$104.6 million in the current year to over 100 transit operators statewide, largely to support public transportation operating costs.

The Governor's Budget proposes \$101.4 million for the STP, a decrease of 3.0 percent from the current fiscal year.

The STP is funded from the Public Transportation Account (PTA). Revenues from the sales tax of diesel fuel as well as a portion of gasoline sales tax revenues are deposited in the PTA. Under current law, 50 percent of PTA revenues are allocated to the STP to provide financial assistance for public transportation, including transit planning, operations, and capital acquisition. The remaining 50 percent of PTA funds are used to support intercity rail services, the Mass Transportation program in the Department of Transportation, and transportation planning.

Action: Approved as budgeted on consent, 3-0 vote. The vote closes all budget issues for the STP; however, Senator Dunn noted that the STP could be re-opened in the future if new concerns are raised.

2700 Office of Traffic Safety

The Office of Traffic Safety (OTS) is responsible for allocating federal grant funds to state and local entities to promote traffic safety. The office administers the California Traffic Safety Program and will distribute approximately \$79.2 million of federal grant funds in 2004-05 to local and State agencies. The grants provided by OTS focus on the nine priority areas of traffic safety: (1) alcohol and drugs, (2) occupant protection, (3) pedestrian and bicycle safety, (4) traffic records, (5) emergency medical services, (6) roadway safety, (7) police traffic services, (8) motorcycle safety, and (9) speed control.

The Governor's Budget proposes \$84.77 million for the OTS, a decrease of \$3,000 from the current fiscal year.

Action: Approved as budgeted on consent, 3-0 vote. The vote closes all budget issues for the OTS.

2720 California Highway Patrol

The mission of the California Highway Patrol (CHP) is to ensure the safe and efficient flow of traffic on the state's highway system. The CHP also has responsibilities relating to vehicle theft prevention, commercial vehicle inspections, the safe transportation of hazardous materials, and protection and security for state employees and property. The Governor's Budget proposes \$1.2 billion in total expenditures for the CHP. The majority of funding for support of the CHP is from the Motor Vehicle Account (MVA), which is proposed at \$1.1 billion (84 percent of the total support budget).

1. **CHP Headquarters Relocation Study (CO BCP #6).** The Administration proposes an increase of \$250,000 to reimburse the Department of General Services for a study to determine the feasibility of co-locating CHP's Headquarters personnel in one location.
2. **Interagency Service Rate Increase (FL #1).** The Administration requests a permanent increase of \$1,916,000 to fund increased costs for the following interagency services:
 - a) The Attorney General, the Department of Justice, and the Department of Personnel Administration for legal and personnel services.
 - b) Department of General Services for telecommunications services.
 - c) Teale Data Center for information technology services.
 - d) The Department of Industrial Relations for various assessments.
3. **Los Angeles Regional Traffic Management Center (LARTMC) Operations and Support (FL # 4).** Augment the CHP's funding by \$375,000 to provide resources for initial operations costs for the stand-alone LARTMC opening in May 2005. The Department of Transportation (Caltrans) will also occupy this facility and a conforming issue is in the Caltrans section. Ongoing costs to the CHP will increase by an additional \$385,000 in 2005-06 to reflect full-year and ongoing costs of the facility (\$760,000 annually).

Staff Recommendation on Consent Items: No issues have been raised with these budgets. Staff recommends the subcommittee approve as budgeted with the requested April Finance Letters.

Action: The CHP was moved off consent, however, the above three items were approved on consent, 3-0 vote. A new issue was raised concerning Administration changes to salary savings for uniformed officers and whether there was a resulting need to hold open an additional 270 CHP vacancies. The sub-committee kept open the CHP budget so staff could collect additional information from the Administration on this issue.

0520 Secretary for Business, Transportation and Housing

The Secretary of the Business, Transportation and Housing Agency is a member of the Governor's Cabinet and oversees the following departments:

Department of Alcoholic Beverage Control	Department of Financial Institutions
Department of Corporations	Department of Real Estate
Department of Housing and Community Development	Department of Managed Care
Office of the Patient Advocate	Department of Transportation
California Highway Patrol	Department of Motor Vehicles
Office of Traffic Safety	Office of Real Estate Appraisers
California Housing Finance Agency	Stephen P. Teale Data Center

The Governor proposes total expenditures of \$17.7 million (\$4.8 million, General Fund) for the Office of the Secretary. This represents an increase of \$5.8 million from the current year, which is due primarily to the full-year costs of the following programs inherited from the now-eliminated Technology, Trade, and Commerce Agency:

Infrastructure Bank
Tourism Commission
Small Business Loan Guarantee Program
Manufacturing Technology Program
Film Commission

Issues

- Office of Military Base Retention & Reuse – Special Advisor (FL #1):** The Administration requests permanent position authority and funding for the Special Advisor position under the Office of Military Base Retention and Reuse. The position is currently authorized to the Housing and Community Development Department (HCD). The Administration proposes to transfer the appropriation from HCD to the BT&H Agency effective July 1, 2004. Trailer bill language is required as part of this proposal.

Staff Recommendation: Approve the request.

Action: Approved the Administration's proposal, 3-0 vote.

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2. **Film Commission Fees:** The Governor's Budget requests \$832,000 General Fund to support the Film Commission in 2004-05.

LAO Recommendation: Delete General Fund and add fees to support the Film Commission. The Film Commission should use existing statutory authority to charge fees for its film permitting activities to eliminate its General Fund cost of \$832,000.

Staff Recommendation: Keep open - direct staff to work with the Administration to determine if a fee could be structured to apply only to large, for-profit film makers, so that small filmmakers could continue obtaining permits without fees. This would minimize any impact to California film production and impose a fee for service on this industry similar to permit fees charged to other industries.

Action: Held open. It is requested that the Administration provide additional information to staff on the feasibility of this proposal the timeframe of implementation should this approach be adopted.

3. **\$1.1 Million Film California First Program Fund Balance.** The Administration does not propose any funding for the Film California First Program in 2004-05, however a \$1.1 million balance remains from past General Fund transfers.

LAO Recommendation: Transfer to the General Fund the unspent balance (\$1.1 million) from the inactive Film California First Program, which was discontinued in the current year. The \$1.1 million balance is General Fund money provided in past budgets. The program subsidized filming-related fees that movie and television production crews paid to the federal and local governments for on-site filming in California.

Staff Recommendation: Hold open.

Action: Held open. The Administration indicates they may submit a May Revision request concerning these funds.

4. **Small Business Loan Guarantee Program.** The Small Business Loan Guarantee Program has a \$30 million reserve fund from previous General Fund appropriations from which it backs loans. The Governor's Budget proposes \$4 million General Fund to administer the program in 2004-05.

LAO Option: Eliminate this program to save \$4 million in annual operating costs and transfer back to the General Fund \$10 million as guaranteed loans are paid off.

Staff Recommendation: Reject this option (no vote required).

Action: The sub-committee rejected the LAO option.

- 5. Clean up Trailer Bill Related to the Elimination of the Trade and Commerce Agency.** The Administration submitted a budget trailer bill to update statute to reflect the elimination of the Trade and Commerce Agency.

Staff Recommendation: Hold open.

Action: Held open. The Administration indicated they may propose revisions to this trailer bill.

2740 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) regulates the issuance and retention of drivers' licenses and provides various revenue collection services. The DMV also licenses and regulates occupations and businesses related to the instruction of drivers, as well as the manufacture, transport, sale and disposal of vehicles. Over 50 percent of the proposed budget is for the Vessel/Vehicle Identification and Compliance Program, which establishes identification and ownership of vehicles of California residents and assures compliance with various laws and programs. DMV also issues personal identification cards, administers driver safety and control programs, and provides consumer protection services.

The budget proposes total expenditures of \$705.3 million (\$0, General Fund), a decrease of \$14.1 million from the current-year budget. An April Finance Letter requests an increase of \$16.9 million for a net increase of \$2.8 million from the current-year budget.

Issues

1. Asbestos Abatement and Office Renovation at the DMV Sacramento Headquarters East Building:

- **5th Floor Asbestos Abatement and Renovation (CO BCP #1).** The Administration requests funding of \$7,511,000 for the construction phase of the 5th floor asbestos abatement and renovation project at the DMV Sacramento Headquarters East Building. This is the seventh of eight major projects as proposed in the department's Long-Range Asbestos Abatement Plan for the headquarters building. This cost has been revised upward by \$47,000 from the preliminary estimate due to increased labor costs, workers compensation insurance costs, and code requirements.
- **6th Floor Asbestos Abatement and Renovation and Building Reskin Project (CO BCP #2).** The Administration requests funding of \$1,352,000 for the preliminary plans for the 6th floor asbestos abatement and renovation, building elevator upgrades, miscellaneous building improvements, building seismic renovation, and reskin of the building exterior. Note: \$513,000 was appropriated in 2003-04 for the 6th floor study, but Finance indicates the funding has been reverted through executive orders due to a deficient fund condition in the current year.

Staff Recommendation: Approve request.

Action: Approved the Administration's request, 3-0 vote.

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- 2. Workers' Compensation/Benefit Costs Related to Recently-Filled 400 DMV Positions (FL #2).** The Administration requests \$16.1 million for unfunded costs related to workers' compensation, health benefits, and industrial disability leave. These costs were funded in the Governor's Budget with savings derived from the Control Section 4.10 reductions, however, subsequent to the Governor's Budget, the DMV was granted a hiring freeze exemption to fill approximately 400 positions in order to reduce wait times at field offices. The new hiring will erode most of the retained 4.10 savings that would have otherwise been available to fund these costs.

LAO Recommendation: The LAO recommends that the Legislature examine the level of DMV service and consider restoring abolished positions if wait times are deemed unacceptable. The LAO indicates the Motor Vehicle Account (MVA) fund balance is sufficient to support additional position restoration.

Staff Comment: The Administration indicates the recent action to fill 400 vacant positions will reduce wait times from about one hour to 30 minutes.

Staff Recommendation: Approve the Administration's request.

Action: Approved the Administration's request, 3-0 vote.

- 3. Improving Efficiency and Effectiveness in the Issuance of New and Renewal of Drivers' Licenses.**

LAO Recommendation: The LAO suggests the following process improvements and new fees to improve efficiency at the DMV.

- Recommend higher fees for retaking a driving test after previously failing the test.
- Recommend new fees for no-shows to driving tests.
- Recommend pilot project on out-sourcing drive tests as a way to improve customer service and reduce costs.

Staff Comment: The LAO should present their recommendations to the subcommittee and the Administration should respond.

Staff Recommendation: Reject the LAO option (no vote required).

Action: The Chair requested that the Administration and LAO continue to work together to increase efficiency at DMV offices and return in the future if legislative action is required to implement efficiency improvements.

2780 Stephen P. Teale Data Center

The Stephen P. Teale Data Center (TDC) is responsible for providing a variety of information technology services to numerous state agencies that reimburse the data center for its operational costs.

The Governor's Budget proposes \$96 million in total expenditures, which is a decrease of \$2.4 million, or 2 percent, below the estimated current-year expenditures.

Issues

1. **Consolidation of the TDC and the Health and Human Services Agency Data Center (HHSDE).** Chapter 225, Statutes of 2003 (AB 1752), required the Department of Finance by December 1, 2003, to submit a plan describing the consolidation of the two data centers in 2004-05. Finance indicates the consolidation plan is currently under review by the California Performance Review (CPR).

LAO Recommendation: Withhold approval of the TDC budget pending receipt and review of the Administration's consolidation proposal.

Staff Recommendation: Hold open the Teale budget.

Action: Held open awaiting the Administration's consolidation proposal.

2. **The California Home Page.** The annual cost of the California Home Page is about \$4 million (half is provided by the General Fund).

LAO Option: Outsource the home page and make it self-sufficient through the imposition of new user fees to save the General Fund \$2 million annually.

Staff Comment: Numerous departments reimburse Teale for costs related to the State homepage. According to Finance, some of these departments never received augmentations for this cost, but instead redirected funding. The LAO option would be workable, but it is unclear what new fees would be instituted to implement this proposal.

Staff Recommendation: Reject the LAO option (no vote required).

Action: Reject the LAO option.

2600 California Transportation Commission

The California Transportation Commission (CTC) is responsible for the programming and allocating of funds for the construction of highway, passenger rail and transit improvements throughout California. The CTC also advises and assists the Secretary of Business, Transportation and Housing Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs.

The Governor proposes \$76.7 million in total expenditures.

Proposed Consent Item

Technical Correct to the Pro Rata Budget (FL #2): Technical correction to the CTC's proposed budget to correct budget for pro rata.

Staff Recommendation: No issues have been raised with this technical correction, recommend approval.

Action: Approved the Administration's proposal, 3-0 vote.

Discussion Issue

Restore 3.0 positions as one-year limited term (FL #1). The Administration proposed in the Governor's Budget to eliminate 3.0 positions originally established to perform workload associated with the Traffic Congestion Relief Program (TCRP) – which would reduce positions to 10.0. A Finance Letter indicates that subsequent to the release of the Governor's Budget, the CTC reported that these positions have absorbed other workload and that the TCRP workload has been significantly less than anticipated. The Administration is revising its proposal to retain these three positions as one-year limited term and zero-base the CTC's staffing for the 2005-06 budget. The CTC lost 4.8 positions due to June 30, 2003, vacancies. The table below shows the CTC's authorized positions (actual and Administration-proposed for 2004-05) over ten years.

95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05
15.5	14.0	14.5	13.0	14.8	15.1	15.9	16.1	13.0	13.0

LAO Recommendation (on Governor's Budget proposal): Restore two of the five positions eliminated in current-year vacancy reductions, and withhold action on eliminating three positions established for TCRP workload pending a sub-committee determination on the overall TCRP-Proposition 42 proposal.

Staff Recommendation: Approve the Administration's request to restore 3.0 positions as one-year limited term.

Action: Held open. Staff will work to develop an internal consensus on the appropriate staffing level.

2665 High-Speed Rail Authority

The California High-Speed Rail Authority (HSRA) was created by Chapter 796, Statutes of 1996, to direct development and implementation of inter-city high-speed rail service that is fully coordinated with other public transportation services. The HSRA is required to prepare a plan for the financing, construction, and operation of a high-speed network for the state that would be capable of achieving speeds of at least 200 miles per hour. The HSRA has completed its business plan, initial finance plan, and currently is completing an initial program environmental impact report (EIR) and related technical studies.

Issues

1. **Revised Cost Estimate for Construction of High-Speed Rail.** The recently-released draft environmental impact report included new cost estimates for the construction of a high-speed rail system.

Staff Comment: The HSRA should brief the sub-committee on the new cost estimates. (informational only - no vote)

2. **Legal Defense of EIR:** The Administration is proposing an increase of \$300,000 to fund anticipated legal costs related to the final environmental impact report. The Administration is also proposing provisional language specifying that the \$300,000 can only be used for legal defense of the EIR.

Staff Recommendation: Approve the request.

Action: Approve the Administration's proposal, 3-0 vote. This vote closes all budget issues for the HSRA.

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The state highway system comprises approximately nine percent of the total roadway mileage in California but handles approximately 54 percent of the miles traveled. The department also has responsibilities for congestion relief, transportation technology, environmental and worker protection, airport safety, and land use and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

The budget proposes total expenditures of \$7.4 billion, a decrease of \$1.1 billion (13.3 percent) from the current-year budget.

Proposed Consent Items

Staff Recommendation: Staff recommends the subcommittee approve the following Budget Change Proposals (BCPs) and Finance Letters (FLs).

- 1. Transportation Permits Management System (TPMS) (BCP #4):** The Administration requests a reappropriation of \$5.253 million for the TPMS information technology project. The TPMS will automate the issuance of permits for extralegal weights or vehicle dimensions and should reduce permit errors. A 1999 highway fatality involved an erroneous permit and this project was implemented to increase public safety by reducing oversize-truck permit errors.
- 2. Elimination of Underground Storage Tanks Program (BCP #10).** Eliminate 1.9 personnel years and \$4,687,000 due to the completion of the program's activities. Caltrans has removed nearly all of the approximately 900 known Department-owned underground storage tanks.
- 3. Los Angeles Regional Traffic Management Center (LARTMC) Operations and Support (FL # 4).** Augment Caltrans' funding by \$1,223,000 (including \$375,000 in reimbursement authority) to provide resources for moving, start up, and initial operations costs for the stand-alone LARTMC opening in May 2005. Add 0.9 personnel years, effective October 1, 2004, to establish a building manager, because this facility is stand-alone, while the old facility was part of the district headquarters office building. The California Highway Patrol (CHP) will also occupy this facility and a conforming issue is in the CHP section.
- 4. Project Resourcing and Schedule Management (PRSM) Reappropriation (FL #8).** Reappropriate \$7.1 million for development and implementation of PRSM, which is a information technology system for the scheduling and resource

management of transportation projects. This project is intended to help Caltrans meet the objectives of Senate Bill 45 (Chapter 622, Statutes of 1997).

Action: PRSM was taken off consent and the sub-committee approved the proposal but added the budget bill language recommended by the LAO, 3-0 vote. The approved language is as follows:

At the time the 2005-06 Governor's Budget is submitted to the Legislature, the Department of Transportation shall report to the chairperson of the Joint Legislative Budget Committee on the progress of developing and implementing the Project Resourcing and Schedule Management System. The report shall include, but is not limited to, (1) the revised project schedule, (2) the activities completed to date, and (3) the proposed activities funded by the 2005-06 Governor's Budget.

- 5. Los Angeles District Headquarters Building Operations and Maintenance (FL #9).** Increase Caltrans funding by \$3,598,000 in 2004-05 and \$323,000 in 2005-06 and ongoing for costs associated with operations and maintenance of the new Los Angeles office building. Delete 1.9 personnel years effective January 1, 2005, that performed activities in the old facility that will be performed by the Department of General Services in the new facility.
- 6. Los Angeles District Headquarters Building Moving Costs (FL #10).** Increase Caltrans funding by \$821,000, one time, for moving costs for the new Los Angeles office building.
- 7. Oakland District Headquarters Building Seismic Retrofit.** Increase one-time funding by \$1,338,000 to provide funding for preliminary plans to seismically retrofit the Caltrans District 4 office building in Oakland. This retrofit would upgrade the building from a seismic risk level V to a risk level III, which is consistent with the state seismic program performance standards. Future construction and working drawings cost will need funding in 2005-06 and are estimated to be \$33.4 million.
- 8. Provisional Language to Allow Caltrans to Purchase Modular Buildings (CO FL #2).** The Administration requests provisional language to provide Caltrans the authority to exercise purchase option agreements on seven modular office units. The lease agreement allows Caltrans to purchase these buildings for \$1 each at the end of the lease period. The Administration indicates the office space is still required and it would cost more to relocate to other facilities.
- 9. Caltrans Facilities Study Funding (CO BCP #1).** The Administration requests \$100,000 to fund a portion of the pre-planning, budget packages, and facility studies for office facility capital outlay projects reflected in the Department's 2004-05 Five Year Capital Outlay Plan.

Action: Number 4 above was taken off consent and approved with budget bill language suggested by the LAO (see #4 above). The remaining items on consent were approved, 3-0 vote.

Caltrans Issues for Discussion

- 1. Continuation of Stormwater Positions (BCP #3):** The Administration requests \$8.214 million to provide permanent funding and authority for 81 positions (77 personnel years) of the 154 positions established in 2002-03 as two-year limited term. The position request is less than the 154 positions established in 2002-03 to reflect the number of positions that were abolished due to vacancies on June 30, 2003. The Administration indicates that actual workload has exceeded the resources provided in 2002-03, however, other maintenance staff have been redirected to perform the “stormwater” workload required to fulfill the Caltrans’ Storm Water Management Plan approved by the State Water Resources Control board and various Regional Water Quality Control Boards.

LAO Recommendation: Make permanent all the 154 positions (147.8 personnel years) authorized as two-year limited term in 2002-03 and add intent language to the Item 2660-007-0042 citing the intent of the Legislature that these positions be exempt from the statewide hiring freeze. This would be an increase of 70.8 personnel years and \$2,853,000 above the Administration’s proposal.

Staff Recommendation: Approve the Administration’s request.

Action: Held open. The Administration indicated there may be a May Revision proposal in this area.

- 2. Major Maintenance Contracts (FL #7).** The Administration requests an increase of \$45.8 million for major maintenance contracts to perform work on the state’s highways. The Finance Letter indicates that funding for this purpose in recent years has been redirected to cover higher utility and equipment costs and also reduced as part of departmentwide cuts. This one-year limited-term request would restore the funding available for major maintenance contracts to \$90.4 million – the amount available in 2001-02. Funding is requested as one-time so the Administration can re-evaluate the permanent funding need for this activity.

LAO Recommendation: In the analysis of the Governor’s Budget, the LAO recommended the enactment of legislation requiring Caltrans to develop a long-range plan for the maintenance of the state’s highways and requiring Caltrans to develop performance measures to track the results of the state’s maintenance investment.

Staff Recommendation: Approve the Administration's request.

Action: Approved the Administration's proposal, 3-0 vote. The Chairman formally requested that the Administration share with the sub-committee and the LAO its long-range maintenance plan when it is completed (presumably no later than January 10, 2005).

- 3. Repeal of Two-Way Traffic Signal Mandate (and trailer bill):** The Administration proposes repeal this mandate that requires that any traffic signal controller that is newly installed or upgraded shall be of a standard traffic signal communication protocol capable of two-way communication. This mandate is suspended in 2003-04. When the mandate was active in the late 1990s, the annual cost was approximately \$100,000. A proposed trailer bill amends statute to encourage locals to continue this activity, but repeals the local mandate.

Staff Comment: Legislation to repeal mandates has to go through the policy committees. The budget sub-committees can suspend the mandates in 2004-05, by appropriating \$0 for the mandate. To suspend this mandate in 2004-05 a \$0 appropriation would have to be added to the budget bill.

Staff Recommendation: Suspend the mandate for 2004-05.

Action: Approved the staff recommendation. Finance should amend item 2660-295-0042 to suspend this mandate in 2004-05.

- 4. Current Year and Budget Year Environment Enhancement and Mitigation (EEM) Program:** The EEM Program provides grants to local agencies to support non-mandatory transportation mitigation projects (such as bicycle and hiking trails) and has been historically funded by annual transfers of \$10 million from the State Highway Account (SHA). The 2003 Budget Act included a \$5 million EEM Fund appropriation and no SHA transfer to the EEM fund. The Administration's Mid-Year proposal indicates that a \$5 million State Highway Account to EEM transfer was inadvertently omitted from the Budget Act. A fund balance of over \$10 million currently exists in the EEM fund to make new grants. The Administration's Mid-Year proposal included the deletion of the 2003-04 EEM appropriation and the Governor's Budget for 2004-05 proposes a 2004-05 EEM appropriation of \$10 million – with grants supported by the EEM fund balance (no new State Highway Account transfer is proposed).

Staff Recommendation:

- Deny the Administration's request to delete the current-year \$5 million EEM appropriation. This would allow \$5 million in new 2003-04 grants to go forward using carry-over EEM funds.

- Reduce the proposed 2004-05 \$10 million EEM appropriation to \$5 million to reflect the above recommendation to retain the \$5 million appropriation in 2003-04. This would utilize existing EEM funding to allow \$5 million in new EEM grants in the budget year. No SHA funding would be provided.

Action: Approved the staff recommendation, 3-0 vote.

- 5. Transfer \$745,000 from the Aeronautics Account to the General Fund:** The Administration requests a \$745,000 transfer from the Aeronautics Account to the General Fund. This amount is half the \$1,490,000 transfer approved in the current year. This funding would otherwise be available to provide grants to local general aviation airports.

Staff Recommendation: Approve the transfer.

Action: Approved the Administration's proposal, 3-0 vote.

- 6. Mid-Year Proposals to Aid the General Fund:** The Administration and the LAO should update the sub-committee on any new developments and any erosions related to the following Administration mid-year proposals:

- a) Accelerate the receipt of \$800 million in federal reimbursements by utilizing cash management of locally-subsent federal Obligation Authority (OA). With this additional \$800 million in federal reimbursement to the State Highway Account, which was not anticipated in the 2004 STIP Fund Estimate, the Administration proposes the following:
 - Reimburse the General Fund for debt service on current transportation general-obligation bonds (\$406 million).
 - Loan \$200 million to the General Fund for up to 3 years (Proposition 2 loan).
 - Retain \$194 million to support highway project allocations.
- b) Transfer income from the sale of property, rental income, and miscellaneous revenues ("non-Article XIX revenue") to the General Fund (\$108 million over two years).
- c) Retain gasoline sales tax revenue in the General Fund (\$17 million). The sales tax on gasoline and diesel sales is allocated for transportation purposes. A portion of the sales tax on gasoline (and diesel sales) is allocated to the Public Transportation Account (PTA). When gasoline prices are high relative to other sales, the PTA receives the "spillover" sales tax revenues.
- d) Transfer \$189 million from the Traffic Congestion Relief Fund to the General Fund, and repeal the statutory authority for the projects in the Traffic Congestion Relief Program (TCRP). The Administration indicates that the TCR project sponsors will have to secure funding through the State Transportation Improvement Program (STIP), or local funding mechanisms.

Included in the discussion should be Finance Letter #1, which requests 16.1 personnel years (two-year limited term) to implement cash management for locally-subvented federal funds, the new provisional language proposed for the transfer of non-Article XIX funds, and the proposed suspension of Proposition 42 in 2004-05.

Staff Recommendation: Hold open pending May Revision.

Action: Due to scheduling conflicts, the hearing had to be adjourned at the completion of issue 5. No testimony on issue 6 was heard. This issue will be heard at a later hearing.